

**CITY OF ELLIS, KANSAS**  
Ellis, Kansas

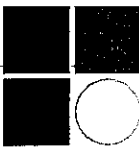
Financial Statements with Independent Auditors' Report  
For the Year Ended December 31, 2007

**CITY OF ELLIS, KANSAS**  
Financial Statements with Independent Auditors' Report  
For the Year Ended December 31, 2007

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Certified  
Public  
Accountants

## INDEPENDENT AUDITORS' REPORT

The Mayor and Council Members  
**City of Ellis, Kansas**  
Ellis, Kansas 67637

We have audited the accompanying financial statements of the **City of Ellis, Kansas**, as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the **City of Ellis, Kansas'** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards and the guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the **City of Ellis, Kansas** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the **City of Ellis, Kansas**, as of December 31, 2007, or changes in financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the **City of Ellis, Kansas**, as of December 31, 2007, their respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of accounting described in Note 1.

ADAMS, BROWN, BERAN AND BALL, CHTD.  
Certified Public Accountants

June 16, 2008

CITY OF ELLIS, KANSAS  
Summary of Cash Receipts, Expenditures, and Unencumbered Cash  
For the Year Ended December 31, 2007

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
<b>Government Type Funds</b>							
General Fund	\$ 989,924	61,000	1,153,873	1,090,324	1,114,473	33,596	1,148,069
Special Revenue Funds							
Special Highway Fund	3,617	-	54,460	54,689	3,388	2,112	5,500
Special Parks & Recreation Fund	15,525	-	3,948	13,990	5,483	-	5,483
Capital Improvement Fund	238,555	-	122,820	37,150	324,225	15,850	340,075
Capital Improvement Fund - Cemetery Expansion	15	-	5,078	693	4,401	-	4,401
Special Machinery Fund	33,715	-	66,642	57,124	43,233	2,828	46,061
Library Fund	123	-	42,159	41,609	673	-	673
Total Special Revenue Funds	291,550	-	295,108	205,255	381,403	20,790	402,193
<b>Debt Service Funds</b>							
Bond and Interest Fund	62,450	-	66,921	61,459	67,912	-	67,912
Principal and Interest Fund	-	-	516,082	406,999	109,083	-	109,083
Bond Reserve Fund	-	-	24,000	-	24,000	-	24,000
Total Debt Service Funds	62,450	-	607,003	468,458	200,995	-	200,995
<b>Capital Project Funds</b>							
TIF Project Fund - Southridge	23,244	-	57,764	81,008	-	-	-
Water Project Fund	180,181	58,667	113,710	18,764	333,794	317,881	651,675
Total Capital Project Funds	203,425	58,667	171,474	99,772	333,794	317,881	651,675
<b>Fiduciary Funds</b>							
Coinsurance Fund	65,121	-	113,507	114,352	64,276	-	64,276
Cemetery Endowment Fund	33,672	-	992	16,392	19,272	5,100	23,372
Total Fiduciary Funds	98,793	-	114,499	130,744	82,548	5,100	87,648
<b>Enterprise Funds</b>							
Campground Utility Fund	8,633	-	18,165	11,711	15,087	98	15,185
Water Utility Fund	112,673	-	563,008	594,175	81,506	5,428	86,934
Sewer Utility Fund	267,971	-	187,599	204,693	250,877	5,832	256,709
Sanitation Utility Fund	174,589	-	278,078	257,107	195,560	4,902	200,462
Water Depreciation Reserve Fund	239,343	-	-	880	238,463	6,372	244,835
Sewer Depreciation Reserve Fund	30,004	-	5,000	-	35,004	-	35,004
Total Enterprise Funds	833,213	-	1,051,850	1,068,566	815,497	22,632	839,129
<b>Total Primary Government</b>	2,479,355	119,667	3,393,807	3,063,119	2,925,710	399,999	3,329,709
<b>Component Units</b>							
Ellis Public Library	27,622	-	57,559	58,245	26,936	282	27,218
<b>Total Reporting Unit</b>	\$ 2,506,977	119,667	3,451,366	3,121,364	2,956,646	400,281	3,356,927

## Composition of Cash:

Certificates of Deposits:  
Certificates of Deposits:  
Treasury Series HH Bonds:  
Repurchase Agreements:  
Checking Accounts:

Ellis State Bank	\$ 2,249,116
Golden Belt Bank	1,201
Ellis State Bank	5,500
Golden Belt Bank	468,500
Ellis State Bank	603,892
Cash on Hand	3,328,209
Total Primary Government	1,500
Total Component Units	3,329,709
Total Reporting Entity	27,218
	\$ 3,356,927

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Summary of Expenditures - Actual and Budget**  
For the Year Ended December 31, 2007

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
<b>Government Type Fund</b>					
General Fund	\$ 1,721,202	-	1,721,202	1,090,324	630,878
<b>Special Revenue Funds</b>					
Special Highway Fund	55,038	-	55,038	54,689	349
Special Parks & Recreation Fund	15,922	-	15,922	13,990	1,932
Library Fund	41,609	-	41,609	41,609	-
<b>Debt Service Funds</b>					
Bond and Interest Fund	104,900	-	104,900	61,459	43,441
<b>Capital Project Fund</b>					
TIF Project Fund - Southridge	81,008	-	81,008	81,008	-
<b>Enterprise Funds</b>					
Campground Utility Fund	19,760	-	19,760	11,711	8,049
Water Utility Fund	616,240	-	616,240	594,175	22,065
Sewer Utility Fund	215,095	-	215,095	204,693	10,402
Sanitation Utility Fund	258,206	-	258,206	257,107	1,099

## CITY OF ELLIS, KANSAS

## General Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2007

(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
<b>Taxes</b>				
Ad Valorem	\$ 484,208	491,430	490,054	1,376
Delinquent	7,581	6,765	-	6,765
Motor Vehicle	85,401	90,306	86,576	3,730
Transient Guest Tax	-	383	-	383
<b>Total Taxes</b>	<u>577,190</u>	<u>588,884</u>	<u>576,630</u>	<u>12,254</u>
<b>Intergovernmental</b>				
Compensating Use Tax	16,693	37,703	10,000	27,703
Escape Tax	9	13	-	13
Local Alcoholic Liquor Tax	3,275	3,454	2,097	1,357
City Sales Tax	151,147	278,732	235,000	43,732
Federal Aid	-	7,633	-	7,633
<b>Total Intergovernmental</b>	<u>171,124</u>	<u>327,535</u>	<u>247,097</u>	<u>80,438</u>
<b>Licenses and Permits</b>				
Licenses and Permits	10,777	9,136	8,000	1,136
Franchise Fees	71,977	74,725	65,000	9,725
<b>Total Licenses and Permits</b>	<u>82,754</u>	<u>83,861</u>	<u>73,000</u>	<u>10,861</u>
<b>Miscellaneous</b>				
Grave Openings and Closings	3,574	8,134	3,000	5,134
Copy Fees	120	110	150	(40)
Miscellaneous	6,701	17,221	7,000	10,221
Capital Credits	10,980	10,386	-	10,386
Cemetery Lots	800	1,800	1,000	800
Pop Sales	171	111	100	11
Pool Fees & Concessions	6,214	7,311	5,000	2,311
Donations/Memorials	-	5,226	-	5,226
DARE Program Donations	115	2,232	200	2,032
Museum Roundup Program	355	350	300	50
Park Committee	8,191	564	5,000	(4,436)
<b>Total Miscellaneous</b>	<u>37,221</u>	<u>53,445</u>	<u>21,750</u>	<u>31,695</u>
<b>Fines and Forfeitures</b>				
Fines	29,577	30,272	10,000	20,272
Court Costs	4,340	3,695	2,000	1,695
<b>Total Fines and Forfeitures</b>	<u>33,917</u>	<u>33,967</u>	<u>12,000</u>	<u>21,967</u>
<b>Total Cash Receipts Carried Forward</b>	<u>\$ 902,206</u>	<u>1,087,692</u>	<u>930,477</u>	<u>157,215</u>

The notes to the financial statements are an integral part of this statement.

## CITY OF ELLIS, KANSAS

## General Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2007

(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Total Cash Receipts Brought Forward	\$ 902,206	1,087,692	930,477	157,215
Use of Money and Property				
Interest	40,273	47,253	20,000	27,253
Rentals & Leases	16,228	18,928	14,000	4,928
Total Use of Money and Property	56,501	66,181	34,000	32,181
Total Cash Receipts	958,707	1,153,873	964,477	189,396
Expenditures				
General Government				
Personal Services	46,055	44,571	42,855	(1,716)
Contractual	135,766	140,401	167,352	26,951
Elections	1,249	-	1,500	1,500
Commodities	16,842	16,220	13,700	(2,520)
Capital Outlay	2,486	-	3,000	3,000
Total General Government	202,398	201,192	228,407	27,215
Police Department				
Personal Services	184,673	188,747	221,766	33,019
Contractual	8,984	11,158	16,200	5,042
Commodities	23,143	25,678	29,950	4,272
Capital Outlay	5,764	1,505	2,500	995
Total Police Department	222,564	227,088	270,416	43,328
Municipal Court				
Personal Services	2,696	6,702	6,615	(87)
Contractual	3,348	4,102	3,000	(1,102)
Commodities	191	92	500	408
Total Municipal Court	6,235	10,896	10,115	(781)
Fire Department				
Personal Services	21,145	15,391	18,400	3,009
Contractual	6,922	16,104	12,000	(4,104)
Commodities	3,927	2,748	5,500	2,752
Capital Outlay	-	998	5,000	4,002
Total Fire Department	31,994	35,241	40,900	5,659
Appropriations				
Museums	30,000	30,000	30,000	-
Library	-	3,000	3,000	-
Library Employee Benefit	2,500	2,500	2,500	-
Golf Course	-	5,000	5,000	-
Main Street	7,500	-	-	-
Total Appropriations	40,000	40,500	40,500	-
Total Expenditures Carried Forward	\$ 503,191	514,917	590,338	75,421

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**General Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2007  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Total Expenditures Brought Forward</b>	<b>\$ 503,191</b>	<b>514,917</b>	<b>590,338</b>	<b>75,421</b>
<b>Park Department</b>				
Personal Services	33,401	36,056	38,312	2,256
Contractual	10,014	6,469	11,900	5,431
Commodities	9,348	14,094	10,600	(3,494)
Capital Outlay	6,945	-	7,000	7,000
<b>Total Park Department</b>	<b>59,708</b>	<b>56,619</b>	<b>67,812</b>	<b>11,193</b>
<b>Swimming Pool</b>				
Personal Services	18,385	24,560	26,729	2,169
Contractual	4,325	4,045	12,100	8,055
Commodities	11,319	16,374	8,000	(8,374)
Capital Outlay	20,718	-	15,000	15,000
<b>Total Swimming Pool</b>	<b>54,747</b>	<b>44,979</b>	<b>61,829</b>	<b>16,850</b>
<b>Economic Development</b>	<b>65,000</b>	<b>10,000</b>	<b>527,318</b>	<b>517,318</b>
<b>Industrial Development</b>	<b>4,500</b>	<b>4,500</b>	<b>4,500</b>	<b>-</b>
<b>Water Project Costs</b>	<b>-</b>	<b>-</b>	<b>170,000</b>	<b>170,000</b>
<b>Risk Management</b>	<b>176</b>	<b>311</b>	<b>30,000</b>	<b>29,689</b>
<b>Street Department</b>	<b>11,669</b>	<b>22,809</b>	<b>14,000</b>	<b>(8,809)</b>
<b>DARE Program</b>	<b>106</b>	<b>2,389</b>	<b>7,000</b>	<b>4,611</b>
<b>Growing Ellis Parks</b>	<b>-</b>	<b>1,160</b>	<b>-</b>	<b>(1,160)</b>
<b>Transfers Out</b>	<b>121,405</b>	<b>432,640</b>	<b>248,405</b>	<b>(184,235)</b>
<b>Total Expenditures</b>	<b>820,502</b>	<b>1,090,324</b>	<b>1,721,202</b>	<b>630,878</b>
<b>Receipts Over (Under) Expenditures</b>	<b>138,205</b>	<b>63,549</b>		
<b>Unencumbered Cash, January 1</b>	<b>851,719</b>	<b>989,924</b>		
<b>Prior Year Cancelled Encumbrances</b>	<b>-</b>	<b>61,000</b>		
<b>Unencumbered Cash, December 31</b>	<b>\$ 989,924</b>	<b>1,114,473</b>		

The notes to the financial statements are an integral part of this statement.



CITY OF ELLIS, KANSAS  
Special Highway Fund  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2007  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
Intergovernmental	\$ 52,613	53,835	54,760	(925)
Interest	159	65	-	65
Miscellaneous	138	560	-	560
<b>Total Cash Receipts</b>	<u>52,910</u>	<u>54,460</u>	<u>54,760</u>	<u>(300)</u>
<b>Expenditures</b>				
Personal Services	37,457	38,670	41,819	3,149
Contractual	1,829	2,750	3,600	850
Commodities	5,909	4,989	1,339	(3,650)
Transfer Out	8,280	8,280	8,280	-
<b>Total Expenditures</b>	<u>53,475</u>	<u>54,689</u>	<u>55,038</u>	<u>349</u>
<b>Receipts Over (Under) Expenditures</b>	(565)	(229)		
<b>Unencumbered Cash, January 1</b>	<u>4,182</u>	<u>3,617</u>		
<b>Unencumbered Cash, December 31</b>	\$ <u>3,617</u>	<u>3,388</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Special Parks and Recreation Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2007  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
Intergovernmental				
Local Alcoholic Liquor Tax	\$ 3,275	3,454	2,097	1,357
Use of Money and Property				
Interest	545	494	-	494
<b>Total Cash Receipts</b>	<u>3,820</u>	<u>3,948</u>	<u>2,097</u>	<u>1,851</u>
<b>Expenditures</b>				
Capital Outlay	-	13,990	-	(13,990)
Contractual	-	-	15,922	15,922
<b>Total Expenditures</b>	<u>-</u>	<u>13,990</u>	<u>15,922</u>	<u>1,932</u>
<b>Receipts Over (Under) Expenditures</b>	3,820	(10,042)		
<b>Unencumbered Cash, January 1</b>	<u>11,705</u>	<u>15,525</u>		
<b>Unencumbered Cash, December 31</b>	\$ <u>15,525</u>	<u>5,483</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF ELLIS, KANSAS  
 Capital Improvement Fund  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2007  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest	\$ 9,459	10,820
Transfers In	10,000	112,000
Total Cash Receipts	19,459	122,820
Expenditures		
Capital Outlay	450	37,150
Receipts Over (Under) Expenditures	19,009	85,670
Unencumbered Cash, January 1	219,546	238,555
Unencumbered Cash, December 31	\$ 238,555	324,225

The notes to the financial statements are an integral part of this statement.

CITY OF ELLIS, KANSAS  
 Capital Improvement Fund - Cemetery Expansion  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2007  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Interest	\$ 1,436	79
Transfers In	5,000	5,000
<b>Total Cash Receipts</b>	6,436	5,079
<b>Expenditures</b>		
Other Contractual Services	695	-
Supplies & Parts	-	100
Capital Outlay	69,812	593
<b>Total Expenditures</b>	70,507	693
<b>Receipts Over (Under) Expenditures</b>	(64,071)	4,386
<b>Unencumbered Cash, January 1</b>	64,086	15
<b>Unencumbered Cash, December 31</b>	\$ 15	4,401

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Special Machinery Fund**  
**Statement of Cash Receipts and Expenditures - Actual**  
**For the Year Ended December 31, 2007**  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Interest	\$ 1,849	1,642
Transfers In	55,000	65,000
<b>Total Cash Receipts</b>	56,849	66,642
<b>Expenditures</b>		
Capital Outlay	51,974	57,124
<b>Receipts Over (Under) Expenditures</b>	4,875	9,518
<b>Unencumbered Cash, January 1</b>	28,840	33,715
<b>Unencumbered Cash, December 31</b>	\$ 33,715	43,233

The notes to the financial statements are an integral part of this statement.

CITY OF ELLIS, KANSAS  
Library Fund  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2007  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
<b>Taxes</b>				
Ad Valorem	\$ 29,685	35,898	35,814	84
Delinquent	487	403	-	403
Motor Vehicle	6,216	5,784	5,308	476
Escape Tax	1	1	-	1
<b>Use of Money and Property</b>				
Interest	65	73	-	73
<b>Total Cash Receipts</b>	36,454	42,159	41,122	1,037
<b>Expenditures</b>				
Library Appropriations	37,339	41,609	41,609	-
<b>Receipts Over (Under) Expenditures</b>	(885)	550		
<b>Unencumbered Cash, January 1</b>	1,008	123		
<b>Unencumbered Cash, December 31</b>	\$ 123	673		

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Bond and Interest Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2007  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
<b>Taxes</b>				
Ad Valorem	\$ 34,461	36,671	36,572	99
Delinquent	418	378	-	378
Motor Vehicle	5,999	5,933	5,216	717
Escape Tax	-	1	-	1
Special Assessments	41,102	20,743	20,574	169
<b>Use of Money and Property</b>				
Interest	2,460	3,195	-	3,195
<b>Total Cash Receipts</b>	<u>84,440</u>	<u>66,921</u>	<u>62,362</u>	<u>4,559</u>
<b>Expenditures</b>				
Principal	45,000	50,092	45,000	(5,092)
TIF Principal	-	-	30,000	30,000
Interest	7,375	11,364	9,890	(1,474)
Taxable Special Obligation Bond Interest	5,288	-	-	-
Commission Fees	3	3	10	7
Reserve for Cash Basis	-	-	20,000	20,000
<b>Total Expenditures</b>	<u>57,666</u>	<u>61,459</u>	<u>104,900</u>	<u>43,441</u>
<b>Receipts Over (Under) Expenditures</b>	26,774	5,462		
<b>Unencumbered Cash, January 1</b>	<u>35,676</u>	<u>62,450</u>		
<b>Unencumbered Cash, December 31</b>	\$ <u>62,450</u>	<u>67,912</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Principal and Interest Fund**  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2007  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Actual
<b>Cash Receipts</b>		
Transfers In	\$ -	516,082
<b>Expenditures</b>		
Principal	-	169,907
Interest	-	237,092
<b>Total Expenditures</b>	-	406,999
<b>Receipts Over (Under) Expenditures</b>	-	109,083
<b>Unencumbered Cash, January 1</b>	-	-
<b>Unencumbered Cash, December 31</b>	\$ -	109,083

The notes to the financial statements are an integral part of this statement.



**CITY OF ELLIS, KANSAS**  
**Bond Reserve Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2007  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

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	Prior Year Actual	Actual
Cash Receipts		
Transfers In	\$ -	24,000
Unencumbered Cash, January 1	-	-
Unencumbered Cash, December 31	\$ -	24,000

The notes to the financial statements are an integral part of this statement.

CITY OF ELLIS, KANSAS  
TIF Project Fund - Southridge  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2007  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
Bond Proceeds	\$ 150,000	-	-	-
Tax Revenues	-	45,747	35,000	10,747
Interest	631	727	-	727
Miscellaneous	-	11,290	46,947	(35,657)
<b>Total Cash Receipts</b>	<u>150,631</u>	<u>57,764</u>	<u>81,947</u>	<u>(24,183)</u>
<b>Expenditures</b>				
Contractual	46,484	-	-	-
Principal	-	25,000	-	(25,000)
Interest	34,037	56,008	81,008	25,000
<b>Total Expenditures</b>	<u>80,521</u>	<u>81,008</u>	<u>81,008</u>	<u>-</u>
<b>Receipts Over (Under) Expenditures</b>	70,110	(23,244)		
<b>Unencumbered Cash, January 1</b>	<u>(46,866)</u>	<u>23,244</u>		
<b>Unencumbered Cash, December 31</b>	\$ <u>23,244</u>	<u>-</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Water Project Fund**  
**Statement of Cash Receipts and Expenditures - Actual**  
**For the Year Ended December 31, 2007**  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Bond Proceeds	\$ 5,470,000	-
Temporary Notes	590,000	-
Interest	19,011	113,710
<b>Total Cash Receipts</b>	<u>6,079,011</u>	<u>113,710</u>
<b>Expenditures</b>		
Contractual Services	3,598,799	15,833
Construction Costs	1,170,605	-
Engineering Costs	181,929	-
Supplies and Parts	33,954	2,931
Bond Principal	160,000	-
Bond Interest	4,210	-
Temporary Notes Principal	590,000	-
Temporary Notes Interest	10,161	-
Issuance Costs	145,186	-
Miscellaneous	3,986	-
<b>Total Expenditures</b>	<u>5,898,830</u>	<u>18,764</u>
<b>Receipts Over (Under) Expenditures</b>	180,181	94,946
<b>Unencumbered Cash, January 1</b>	-	180,181
<b>Prior Year Cancelled Encumbrance</b>	-	58,667
<b>Unencumbered Cash, December 31</b>	<u>\$ 180,181</u>	<u>333,794</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ELLIS, KANSAS  
 Coinsurance Fund  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2007  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Interest	\$ 2,445	3,107
Transfers In	110,420	110,400
<b>Total Cash Receipts</b>	112,865	113,507
<b>Expenditures</b>		
Contractual	100,265	114,352
<b>Receipts Over (Under) Expenditures</b>	12,600	(845)
<b>Unencumbered Cash, January 1</b>	52,521	65,121
<b>Unencumbered Cash, December 31</b>	\$ 65,121	64,276

The notes to the financial statements are an integral part of this statement.

CITY OF ELLIS, KANSAS  
 Cemetery Endowment Fund  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2007  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest	\$ 1,375	992
Expenditures		
Capital Outlay	-	16,392
Receipts Over (Under) Expenditures	1,375	(15,400)
Unencumbered Cash, January 1	32,297	33,672
Unencumbered Cash, December 31	\$ 33,672	18,272

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Campground Utility Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2007  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
User Fees	\$ 14,175	14,436	11,000	3,436
Rentals and Leases	3,500	3,500	3,500	-
Interest	198	229	-	229
<b>Total Cash Receipts</b>	<u>17,873</u>	<u>18,165</u>	<u>14,500</u>	<u>3,665</u>
<b>Expenditures</b>				
Personal Services	2,558	2,606	2,754	148
Contractual	3,112	2,847	6,900	4,053
Commodities	6,819	5,568	3,000	(2,568)
Capital Outlay	-	-	6,416	6,416
Transfer Out	690	690	690	-
<b>Total Expenditures</b>	<u>13,179</u>	<u>11,711</u>	<u>19,760</u>	<u>8,049</u>
<b>Receipts Over (Under) Expenditures</b>	4,694	6,454		
<b>Unencumbered Cash, January 1</b>	<u>3,939</u>	<u>8,633</u>		
<b>Unencumbered Cash, December 31</b>	\$ <u>8,633</u>	<u>15,087</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Water Utility Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2007  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
Water Sales	\$ 257,519	527,575	570,000	(42,425)
Connects and Disconnects	10,560	8,723	2,000	6,723
Water Dock	206	82	250	(168)
Penalties	2,209	4,550	1,000	3,550
Miscellaneous	8,190	7,045	2,500	4,545
Interest	9,377	15,033	6,000	9,033
<b>Total Cash Receipts</b>	<u>288,061</u>	<u>563,008</u>	<u>581,750</u>	<u>(18,742)</u>
<b>Expenditures</b>				
<b>Transmission and Distribution - Water</b>				
Personal Services	107,170	111,576	114,275	2,699
Contractual	40,451	61,939	73,500	11,561
Commodities	54,645	55,512	39,000	(16,512)
Capital Outlay	5,474	-	5,000	5,000
<b>Total Production</b>	<u>207,740</u>	<u>229,027</u>	<u>231,775</u>	<u>2,748</u>
<b>Non-Operating Expenses</b>				
Consumer Deposit Interest	2	-	-	-
Lease Purchase Payments	2,359	2,359	2,500	141
Transfers Out	81,965	362,789	381,965	19,176
<b>Total Non-Operating Expenses</b>	<u>84,326</u>	<u>365,148</u>	<u>384,465</u>	<u>19,317</u>
<b>Total Expenditures</b>	<u>292,066</u>	<u>594,175</u>	<u>616,240</u>	<u>22,065</u>
<b>Receipts Over (under) Expenditures</b>	(4,005)	(31,167)		
<b>Unencumbered Cash, January 1</b>	<u>116,678</u>	<u>112,673</u>		
<b>Unencumbered Cash, December 31</b>	<u>\$ 112,673</u>	<u>81,506</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Sewer Utility Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2007  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
Sewer Charges	\$ 150,289	172,727	200,000	(27,273)
Interest	11,017	12,294	5,000	7,294
Miscellaneous	2,229	2,578	1,000	1,578
<b>Total Cash Receipts</b>	163,535	187,599	206,000	(18,401)
<b>Expenditures</b>				
<b>Sewage Disposal</b>				
Personal Services	31,444	32,499	33,207	708
Contractual	61,661	66,393	67,000	607
Commodities	17,141	19,510	23,500	3,990
Capital Outlay	7,158	-	5,000	5,000
<b>Total Sewage Disposal</b>	117,404	118,402	128,707	10,305
<b>Non-Operating Expenses</b>				
Lease Purchase Payments	6,560	6,560	6,700	140
Principal	45,748	47,326	47,326	-
Interest	22,934	21,471	21,474	3
Transfers Out	10,885	10,934	10,888	(46)
<b>Total Non-Operating Expenses</b>	86,127	86,291	86,388	97
<b>Total Expenditures</b>	203,531	204,693	215,095	10,402
<b>Receipts Over (under) Expenditures</b>	(39,996)	(17,094)		
<b>Unencumbered Cash, January 1</b>	307,967	267,971		
<b>Unencumbered Cash, December 31</b>	\$ 267,971	250,877		

The notes to the financial statements are an integral part of this statement.



**CITY OF ELLIS, KANSAS**  
**Sanitation Utility Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2007  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
Sanitation Charges	\$ 251,064	255,056	215,000	40,056
Interest	5,330	7,163	1,000	6,163
Penalties	1,895	2,074	1,000	1,074
Miscellaneous	5,371	13,785	-	13,785
<b>Total Cash Receipts</b>	<u>263,660</u>	<u>278,078</u>	<u>217,000</u>	<u>61,078</u>
<b>Expenditures</b>				
Personal Services	105,851	108,559	111,511	2,952
Contractual	70,613	78,973	76,500	(2,473)
Commodities	23,625	27,426	23,000	(4,426)
Capital Outlay	120	20,000	5,000	(15,000)
Lease Purchase Payment	-	-	20,000	20,000
Transfers Out	22,195	22,149	22,195	46
<b>Total Expenditures</b>	<u>222,404</u>	<u>257,107</u>	<u>258,206</u>	<u>1,099</u>
<b>Receipts Over (under) Expenditures</b>	41,256	20,971		
<b>Unencumbered Cash, January 1</b>	<u>133,333</u>	<u>174,589</u>		
<b>Unencumbered Cash, December 31</b>	\$ <u>174,589</u>	<u>195,560</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF ELLIS, KANSAS  
 Water Depreciation Reserve Fund  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2007  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfer In	\$ 60,000	-
Expenditures		
Capital Outlay	23,562	880
Receipts Over (Under) Expenditures	36,438	(880)
Unencumbered Cash, January 1	202,905	239,343
Unencumbered Cash, December 31	\$ 239,343	238,463

The notes to the financial statements are an integral part of this statement.

CITY OF ELLIS, KANSAS  
 Sewer Depreciation Reserve Fund  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2007  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfer In	\$ 5,000	5,000
Unencumbered Cash, January 1	25,004	30,004
Unencumbered Cash, December 31	\$ 30,004	35,004

The notes to the financial statements are an integral part of this statement.

CITY OF ELLIS, KANSAS  
 Ellis Public Library Board  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2007  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Intergovernmental	\$ 5,525	6,653
Interest	575	651
Collections	6,564	3,146
Appropriation	39,839	47,109
<b>Total Cash Receipts</b>	<u>52,503</u>	<u>57,559</u>
<b>Expenditures</b>		
Personal Services	25,880	28,286
Contractual	20,770	15,795
Commodities	8,673	8,465
Capital Outlay	395	5,699
<b>Total Expenditures</b>	<u>55,718</u>	<u>58,245</u>
<b>Receipts Over (Under) Expenditures</b>	(3,215)	(686)
<b>Unencumbered Cash, January 1</b>	<u>30,837</u>	<u>27,622</u>
<b>Unencumbered Cash, December 31</b>	<u>\$ 27,622</u>	<u>26,936</u>

The notes to the financial statement are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
Notes to Financial Statements  
December 31, 2007

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**1. Summary of Significant Accounting Policies**

The City has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the statutory basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies:

**A. Financial Reporting Entity**

The **City of Ellis, Kansas** is a municipal corporation governed by an elected Mayor and six elected council members. The City receives funding from local, state, and federal governmental sources and must comply with the requirements of these funding sources.

The financial statements of the City consist of all the funds of the City and governmental entities that are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

The **City of Ellis, Kansas** is the primary government as defined in GASB #14 and further amended by GASB #39. The City Council is elected by the public. The Council has the authority to make decisions, levy taxes, influence operations and has the primary accountability in fiscal matters.

The following is a component unit of the **City of Ellis, Kansas**. The City exercises significant influence or accountability based primarily on operational or financial relationships with the City (as distinct from legal relationships).

**Ellis Public Library Board**

The Ellis Public Library Board is organized under Kansas Statutes for the purpose of operating a public library for the benefit of the City. The Board's members are appointed by the City Council. The City substantially funds the Board's operations by levying tax dollars for the Library. The Board does issue audited financials statements. Contact the City Clerk for information on how to obtain this financial information.

**B. Basis of Presentation – Fund Accounting**

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the City for the year ended December 31, 2007:

**Governmental Funds**

**General Fund** – reports as the primary fund of the City. The fund is used to account for all financial resources not reported in other funds.

**Special Revenue Funds** - to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

CITY OF ELLIS, KANSAS  
Notes to Financial Statements  
December 31, 2007

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**B. Basis of Presentation – Fund Accounting (cont.)**

**Debt Service Funds** - to account for the accumulation of resources for and the payment of interest and principal on general long-term debt and the financing of special assessments which are general obligations of the City.

**Capital Project Funds** - to account for financial resources segregated for the acquisition of major capital facilities (other than those financed by Enterprise Funds).

**Fiduciary Funds**

**Agency Funds** - to account for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others.

**Private Purpose Trust Funds** - to account for assets held by a governmental unit as trustee or agent for others. The principal and income of these funds may be expended in the course of the fund's designated operations.

**Proprietary Funds**

**Enterprise Funds** - to account for operations that are financed and operated in a manner similar to private business enterprises - where the stated intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges - or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**C. Statutory Basis of Accounting**

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the statutory basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

**D. Departure from Generally Accepted Accounting Principles in the United States of America**

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

**CITY OF ELLIS, KANSAS**  
Note to Financial Statements  
December 31, 2007

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**E. Accounting for Capital Assets and Depreciation**

The City does not maintain a record of capital assets used in performance of general government operations and the proprietary funds as required by generally accepted accounting principles.

**F. Accounting for Long-Term Liabilities**

The accounting and reporting treatment applied to the long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and fiduciary funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Long-term liabilities expected to be financed from governmental funds are not accounted for in the governmental funds.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

**G. Budgetary Information**

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1<sup>st</sup>.
2. Publication in local newspaper on or before August 5<sup>th</sup> of the proposed budget and notice of hearing on the budget.
3. Public hearing on or before August 15<sup>th</sup>, but at least ten days after publication of notice of public hearing.
4. Adoption of the final budget on or before August 25<sup>th</sup>.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

**CITY OF ELLIS, KANSAS**  
Notes to Financial Statements  
December 31, 2007

**G. Budgetary Information (cont.)**

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for Capital Project Funds, Fiduciary Funds, Permanent Funds and the following Special Revenue Funds:

Capital Improvement, Capital Improvement - Cemetery Expansion, and Special Machinery.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

**H. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the governmental funds.

**I. Deposits and Investments**

The City follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund type in the summary of cash receipts, cash disbursements and unencumbered cash.

As of December 31, 2007, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (In Years)		Rating
		Less than 1	Greater than 1	
Repurchase Agreements				
Secured by U.S. Treasury & Agencies	\$ 468,500	468,500	-	N/A
Series HH Treasury Bonds	5,500	-	5,500	N/A
Total Fair Value	<u>\$ 474,000</u>	<u>\$ 468,500</u>	<u>\$ 5,500</u>	

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City adopted an investment policy during 2007.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City adopted an investment policy during 2007.



**CITY OF ELLIS, KANSAS**  
Notes to Financial Statements  
December 31, 2007

**I. Deposits and Investments (cont.)**

*Concentration of credit risk.* State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City's allocation of investments at December 31, 2007 is as follows:

<u>Investments</u>	<u>Percentage of Investments</u>
Repurchase Agreements	
Secured by U.S. Treasury & Agencies	98.84%
Series HH Treasury Bonds	1.16%

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City did not use "peak periods" during 2007. All deposits were legally secured at December 31, 2007.

At December 31, 2007, the City's carrying amount of deposits was \$2,854,209 and the bank balance was \$2,902,232. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$101,796 was covered by federal depository insurance; \$2,800,436 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

All of the underlying securities of the City's repurchase agreements are held by the investments' counterparty, not in the name of the City. The City does not have a formal policy limiting securities held by counterparties.

**J. Capital Projects**

At year end, capital project authorization with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	<u>Cash Disbursements and Accounts Payable to Date</u>	<u>Project Authorization</u>
South Ridge Redevelopment Project Plan – Phase I	\$ 667,572	755,000
Water Project	4,949,370	5,300,000

**CITY OF ELLIS, KANSAS**  
Notes to Financial Statements  
December 31, 2007

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**K. Property Tax Calendar**

Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1<sup>st</sup> are due one-half by December 20<sup>th</sup> and one-half on May 10<sup>th</sup>. Major property tax payments are received January through July and are recognized as revenue in the year received.

**L. Inventories and Prepaid Expenses**

Inventories and prepaid expenses which benefit future periods are recorded as expenditures during the year of purchase as required by state statutes.

**M. Restricted Assets**

These assets consist of cash and short-term investments restricted for Agency Funds.

**N. Compensated Absences**

The City's policy regarding vacation time allows employees to accumulate from five to twenty-one days based on length of service. All vacation time must be taken by the employee's anniversary date. The amount of accumulated vacation time as of December 31, 2007 totaled \$24,165. The City's policy regarding sick leave permits employees to accumulate a maximum of one hundred and two days. Policies do not allow payment of accumulated sick pay upon termination of employment unless accumulated prior to 1989. Three personal days (one-half if part time) a year may be used and charged against sick leave for full time employees. The amount of accumulated sick time as of December 31, 2007 totaled \$93,452.

**O. Defined Benefit Pension Plan**

**Plan Description** – The City contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas Avenue, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

**Funding Policy** – K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for calendar year 2007 is 5.31%. The City employer contribution to KPERS for the years ending December 31, 2007, 2006, and 2005 were \$25,048, \$20,507, and \$13,755, respectively.

**P. Other Post Employment Benefits**

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

**CITY OF ELLIS, KANSAS**  
Notes to Financial Statements  
December 31, 2007

**P. Other Post Employment Benefits (Cont.)**

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program

**2. Transfers and Payments**

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects, and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas Statutes. The City's operating transfers and statutory authority for December 31, 2007 were as follows:

<u>From</u>	<u>To</u>	<u>Authority</u>	<u>2007</u>
General Fund	Principal & Interest Fund	KSA 12-6a16	\$ 199,235
General Fund	Capital Improvement Fund	KSA 12-1,118	112,000
General Fund	Special Machinery Fund	KSA 12-1,117	65,000
General Fund	Cemetery Expansion Fund	KSA 12-1,118	5,000
Sewer Utility Fund	Sewer Depreciation Reserve	KSA 12-825d	5,000
Water Utility Fund	Principal & Interest Fund	KSA 12-6a16	316,847
Water Utility Fund	Bond Reserve Fund	KSA 12-825d	24,000
General Fund	Co-Insurance Fund	Via Ordinance	51,405
Water Utility Fund	Co-Insurance Fund	Via Ordinance	21,942
Sewer Utility Fund	Co-Insurance Fund	Via Ordinance	5,934
Sanitation Utility Fund	Co-Insurance Fund	Via Ordinance	22,149
Campground Fund	Co-Insurance Fund	Via Ordinance	690
Special Highway Fund	Co-Insurance Fund	Via Ordinance	8,280
TOTAL			<u>\$ 837,482</u>

**3. Related Party Transactions**

In accordance with Financial Accounting Standards Board Statement No. 57 (the Statement), the following related party transactions were identified for 2007. Related party transactions do not include compensation arrangements, expense allowances and reimbursements, and similar items incurred in the ordinary course of operations and, accordingly, such items are not included below.

	<u>2007</u>
Trio Lumber & Building Center	
David McDaniel is owner of the company and was the Mayor in 2007:	
Supplies	<u>\$ 11,726</u>

**4. Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the statutory basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF ELLIS, KANSAS**  
Notes to Financial Statements  
December 31, 2007

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**5. Risk Management-Claims and Judgments**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been able to obtain errors and omissions insurance at a cost it considered to be economically justifiable.

The City carries commercial insurance for other risks of loss, including property, general liability, inland marine, workmen's compensation, umbrella, automobile, linebacker and surety bond coverage.

The City has elected to obtain comprehensive and collision coverage on all City owned motor vehicles.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. At December 31, 2007 the financial statements do not include liabilities for anticipated costs.

**6. Litigation**

The City is party to various legal proceedings, such as foreclosure actions and tax appeals, which normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the funds of the City.

**7. Grants and Shared Revenues**

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audits, is not believed to be material.

**8. Comparative Data**

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in the City's cash and unencumbered cash balances. However, complete comparative data (i.e., presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

**9. Compliance with Water System Revenue Bonds Covenants**

The Water System Revenue Bonds - Series 2006 requires that the City meet certain covenants set forth by the bond company as long as the Bonds remain outstanding.

The City has complied with the covenants set forth in Resolution No. 442 which was adopted on October 2, 2006.

There were 1,017 customers being served by the System at January 1, 2007 and 1,022 customers being served at December 31, 2007.

CITY OF ELLIS, KANSAS  
Notes to Financial Statements  
December 31, 2007

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9. Compliance with Water System Revenue Bonds Covenants (cont.)

The City carries liability insurance with Cincinnati Insurance and property and casualty insurance with EMC Insurance Companies. Coverage has been put in place on temporary property for the water project. The contractor is responsible for the insurance coverage on the project until complete.

\$24,000 was deposited into the Reserve Fund for the year ended December 31, 2007.

The Water System Revenue Bonds – Series 2006 requires that water rates charged in each year will enable the City to have in each fiscal year Net Revenues from the System equal to 125 percent of the maximum Debt Service Requirements to be paid out of said revenues in any succeeding fiscal year with respect to the Bonds. This provision was complied with for the year ended December 31, 2007.

Net Revenues		\$ 527,575
Maximum Debt Service Requirements	252,098	
	<u>125%</u>	
Net Revenues required		<u>315,123</u>
Excess		<u>\$ 212,452</u>

10. Long-Term Debt

The City has the following types of Long-Term Debt:

General Obligation Bonds

Revolving Loan - The City enacted a \$750,000 revolving loan agreement on May 31, 1996 with the Kansas Department of Health and Environment acting on the behalf of the State of Kansas to finance the construction of an activated sludge basin. On June 5, 1998 the maximum loan amount was amended to \$1,113,200 and again amended to \$1,023,155 on January 20, 2001. The City will use proceeds generated by the operation of the facility for loan repayment, which began March 1, 1999.

Taxable Special Obligation Bond - The City enacted a Taxable Special Obligation Bond to finance improvements in the South Ridge Redevelopment District, in an amount not to exceed \$2,045,810. The District qualifies as a tax increment financing district. As such, the bond issue is to be paid for from the additional property taxes realized due to the incremental improvements to property within the District. These bonds are further guaranteed by South Ridge Development, LLC. As of December 31, 2005 \$605,000 has been issued on this bond issue.

On March 15, 2006 an additional \$150,000 in Taxable Special Obligation Bonds were issued.

Lease Obligations - The City has entered into lease agreements with an option to purchase at the expiration of the lease terms. The leases contain a fiscal funding clause.

**CITY OF ELLIS, KANSAS**  
Notes to Financial Statements  
December 31, 2007

**10. Long-Term Debt (cont.)**

**Water System Revenue Bonds - Series 2006**

On October 15, 2006, the City issued \$3,300,000 in Water System Revenue Bonds, Series 2006 for the purpose of providing funds to pay part of the cost of improving the City's water utility system.

**Refunded Bonds**

On September 15, 2006 the City issued \$2,170,000 in General Obligation Refunding and Improvement Bonds (\$2,000,000 the "Improvements" and \$170,000 the "Refunded Bonds"). The proceeds from the sale of the Improvement Bonds were used to pay the costs of making certain improvements to the City's water wells, water treatment facility and distribution system.

The City utilized \$10,000 of the Refunded Bonds was used to pay for issuance costs. The remainder of the proceeds from the sale of the Refunded Bonds was for the annual payment of interest from October 1, 2006 through December 1, 2006, on bonds maturing on October 1, 2007 and thereafter, and to redeem on October 1, 2006, the principal of the City's outstanding General Obligation Bonds, Series 2001, maturing October 1, 2007, and thereafter (the "Refunded Bonds"). The Refunding Plan was undertaken in order to achieve interest cost savings.

According to the terms of this Refunding Plan, the Refunded Bonds will be called on their earliest optional redemption date and redeemed at such time, all in accordance with the resolution authorizing their issuance. The Refunded Bonds represent the entire callable portion of the City's General Obligation Bonds, Series 2001. All Refunded Bonds will be called at a price equal to 100% of the par value thereof, without premium. The City will continue to levy taxes to pay the interest and principal on the Series 2001 issue for all bonds due through 2006.

Upon the payment in full of the interest on the Bonds to and including October 1, 2007 and the principal of the Refunded Bonds, all remaining money and Escrowed Securities in the Escrow Fund together with any interest thereon, shall be transferred to the City to be applied in accordance with the law.

**Refunded Bonds**

<u>Series</u>	<u>Amount Outstanding Prior to Refunding</u>	<u>Amount to be Refunded</u>	<u>Maturity Dates to be Escrowed</u>	<u>Call Date</u>	<u>Call Price</u>
2001	\$240,000	\$160,000	10/1/07-10/1/11	10/1/2006	100

Changes in long-term liabilities for the City at December 31, 2007 and current maturities of long-term debt and interest for the next five years and in five year increments through maturity are included on the next two pages.

**CITY OF ELLIS, KANSAS**  
Statement of Changes in Long Term Debt  
For the Year Ended December 31, 2007

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
<b>Capital Leases</b>										
Loader	3.75%	06/01/04 \$	57,159	06/01/11	42,301	-	(7,850)	(7,850)	34,451	1,566
Generator	3.75%	06/01/04	25,448	06/01/11	18,857	-	(3,519)	(3,519)	15,338	706
Street Sweeper	4.99%	04/21/06	119,648	04/21/13	99,960	-	(14,700)	(14,700)	85,260	4,988
Sanitation Truck	5.50%	04/01/07	106,583	06/01/14	-	106,583	-	106,583	106,583	-
<b>Total Capital Leases</b>			<u>308,838</u>		<u>161,118</u>	<u>106,583</u>	<u>(26,069)</u>	<u>80,514</u>	<u>241,632</u>	<u>7,280</u>
<b>Revolving Loan</b>										
KDHE - Sludge Basin Construction	3.42%	05/31/96	1,023,155	09/01/18	689,059	-	(47,326)	(47,326)	641,733	21,471
<b>General Obligation Bonds</b>										
Series 2001	5.50%	08/01/01	359,546	10/01/11	40,000	-	(40,000)	(40,000)	-	1,780
Series 2003	3.50%	06/01/03	56,870	08/02/13	42,000	-	(5,000)	(5,000)	37,000	1,470
Series 2006	3.75 - 4.9%	09/15/06	2,170,000	10/01/26	2,170,000	-	(65,000)	(65,000)	2,105,000	103,068
Water System Revenue Bonds - Series 2006	3.5 - 5%	10/15/06	3,300,000	10/01/26	3,300,000	-	(110,000)	(110,000)	3,190,000	142,098
<b>Total General Obligation Bonds</b>			<u>5,886,416</u>		<u>5,552,000</u>	<u>-</u>	<u>(220,000)</u>	<u>(220,000)</u>	<u>5,332,000</u>	<u>248,416</u>
<b>Taxable Special Obligation Bond</b>										
Series 2004	6.50%	12/22/04	755,000	12/01/20	755,000	-	(25,000)	(25,000)	730,000	56,008
<b>Total Contractual Indebtedness</b>			<u>7,973,409</u>		<u>7,157,177</u>	<u>106,583</u>	<u>(318,395)</u>	<u>(211,812)</u>	<u>6,945,365</u>	<u>333,175</u>
<b>Amount to be Provided for Compensated Absences</b>	N/A	N/A	N/A	N/A	117,617	-	-	2,818	120,435	-
<b>Total Long Term Debt</b>			<u>\$ 7,973,409</u>		<u>\$ 7,274,794</u>	<u>106,583</u>	<u>(318,395)</u>	<u>(208,994)</u>	<u>7,065,800</u>	<u>333,175</u>

CITY OF ELLIS, KANSAS

Schedule of Maturity of Long Term Debt  
For the Year Ended December 31, 2007

	YEAR								
	2008	2009	2010	2011	2012	2013-2017	2018-2022	2023-2026	Total
Principal									
General Obligation Bonds	\$ 191,000	196,000	201,000	211,000	221,000	1,242,000	1,550,000	1,520,000	5,332,000
Revolving Loan	48,959	50,647	52,394	54,202	56,071	310,736	68,724	-	641,733
Taxable Special Obligation Bond	35,000	35,000	40,000	40,000	45,000	275,000	220,000	40,000	730,000
Capital Leases	40,600	41,943	43,954	46,063	34,631	34,441	-	-	241,632
Total Principal	315,559	323,590	337,348	351,265	356,702	1,862,177	1,838,724	1,560,000	6,945,365
Interest									
General Obligation Bonds	241,538	234,492	227,065	219,295	211,032	912,713	613,260	193,435	2,852,830
Revolving Loan	19,958	18,393	16,774	15,099	13,366	38,669	1,639	-	123,898
Taxable Special Obligation Bond	47,450	46,175	42,900	41,300	33,700	140,400	43,550	2,925	388,400
Capital Leases	11,378	10,035	8,025	5,916	3,711	2,866	-	-	41,931
Total Interest	320,324	309,095	294,764	281,610	261,809	1,094,648	658,449	196,360	3,417,059
Total Principal and Interest	\$ 635,883	632,685	632,112	632,875	618,511	2,956,825	2,497,173	1,756,360	10,362,424